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Starting the Conversation: Discussing Family Wealth and Values with Children

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According to a January 2019 survey, roughly two out of three parents express some reluctance about discussing money and financial topics with their children. Parental anxieties about financial status, adult matters, and kids growing up too quickly may all be contributing factors.

"Discussing Family Wealth and Values with Children," is inspired by the collaborative thinking of experts who participated in a May 23, 2019 seminar on the subject, hosted by Goulston & Storrs. The experts in investment, philanthropy, trust planning and family decision-making suggested that parents consider the following when starting financial conversations with their children.

1. Confront Your Own Feelings and Understand Your Own Fears. Everyone has a unique back-story about their own particular relationship with money, and every parent must confront their own feelings and fears about financial topics to communicate effectively with their children. Money is really one of the last taboo topics of conversation in our society, mostly because we deal with the topic emotionally rather than rationally, flashing back to family feuds over wealth, family financial setbacks, or other unpleasant memories. But these deep-rooted conflicts about money should not prevent any parent from talking about finances with their kids. To the extent that you, as the parent, are unable to transmit consciously selected values about money, your children might absorb other values from movies, television, music and other cultural sources that may be completely at odds with your wishes. Children can also inherit your fears and anxieties about money if you avoid discussing financial topics with them.

2. Invite Children to Ask Questions and Prepare to Answer Them. Most children acquire some math skills by second grade, and they literally begin to "add things up" about money and purchasing power. So, parents must be prepared for questions about the relative cost of houses, cars, and grocery items, as well as questions about jobs and how much different people earn. Rather than avoiding or discouraging such questions, parents should welcome and even invite them so that children's natural curiosity will drive their learning. An imperfect answer is better than no answer to financial questions, and it is fine to say, "I don't know the answer," or "Let me think about that one, and I'll get back to you." The important thing is to decide consciously what financial values and information you want your children to inherit, and how you want to teach them.

3. Focus Attention on Age Appropriate Topics. Of course, it's not necessary to show young children family financial statements or overwhelming details about family finances. It is better to focus on age-appropriate concepts, which might start with the cost of ice cream relative to an allowance and work up to the earning power of different occupations that children might want to prepare for in school. There are plenty of books, videos and other tools to assist parents with age-appropriate financial discussions. One such resource, for example, is the Financial Literacy & Education Commission website, MyMoney.Gov.

This site features links to many helpful tools, including a money-smart video curriculum divided into four age groups between the start of grade school and the end of high school, available at FDIC.Gov. Staging a child's financial education in grades also reminds parents that financial values and literacy are not taught in one conversation, but in a series of ongoing conversations over many years. With patience and careful staging, you can nourish your children's natural curiosity with bite-sized chunks of information about how to earn, save, protect, invest, budget and borrow money.

4. Work on Your "Hidden Curriculum" – What You Teach by Your Actions. It is important to remember that values about money are caught and not just taught. Children observe and learn every time they watch parents make choices at the grocery store, order food at a restaurant, tip a service provider, or donate to a church or charity. They also notice whether parents fight about money or talk rationally and collaboratively about how to budget and spend it. As a result, your daily actions are opportunities to teach your children about finances. At the market, you can explain the difference between regularly budgeted purchases that are essential needs, such as healthy foods, versus occasional purchases you make with discretionary income, such as ice cream. When you pull out a credit card, you can explain how purchases made with a card are really loans that must be repaid. And when you go to the bank, you can explain the function of fundamental commercial activities, such as deposits, withdrawals, interest and loans. By allocating a portion of your budget to charity, you can also teach your children the importance of giving back and sharing with those who are less fortunate.

Goulston & Storrs is grateful to the following experts for their contributions to the 2019 professional seminar that inspired this piece:

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- *Danielle Oristian York, Managing Director at 21/64, a nonprofit consulting division of the Andrea and Charles Bronfman Philanthropies specializing in next generation and multi-generational philanthropy and family decision making.*

- *[David Vaughn](), a partner at North Bridge Advisory Group, an independent group of seasoned educators who work with high-net-worth parents and their children to manage the unique opportunities, dilemmas, and challenges that can accompany family money.*
- *Michelle Porter, a partner and co-chair of the Private Client Trust Group at Goulston & Storrs, an Am Law 200 firm with offices in Boston, New York and Washington, D.C.*
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